

UNITED STATES DISTRICT COURT
DISTRICT OF MINNESOTA

CR11-330 PJS/JJK

UNITED STATES OF AMERICA,)	INDICTMENT
)	(18 U.S.C. § 371)
Plaintiff,)	(18 U.S.C. § 1343)
)	(18 U.S.C. § 981(a)(1)(C))
v.)	(28 U.S.C. § 2461(c))
)	
1. JAMES WARREN HOFFMAN, AND)	
)	
2. TERESA GAY HOFFMAN,)	
)	
Defendants.)	

THE UNITED STATES GRAND JURY CHARGES THAT:

INTRODUCTORY ALLEGATIONS RELATING TO COUNTS 1-9

1. At all times relevant to this Indictment, defendants James Warren Hoffman ("J. Hoffman") and Teresa Gay Hoffman ("T. Hoffman") were individual residents of the State of Minnesota and married to each other.

2. At all times relevant to this Indictment, J. Hoffman and T. Hoffman owned and controlled (in some cases singly; in some cases together; and in some cases with nominees) various entities for the purpose of conducting the mortgage fraud scheme described below, including Home Funding Corporation ("Home Funding"); Accredited Financial Services ("AFS"), Encore Acquisitions, LLC ("Encore"), Bessford Partnership, LLC ("Bessford") and GRD Property Management, LLC ("GRD").

3. At all times relevant to this Indictment, Minnesota One Mortgage, Inc. ("Minnesota One") was a mortgage brokerage company which arranged financing for the transactions described below.



OCT 17 2011
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RICHARD D. SLETTEN, CLERK
JUDGMENT ENTERED
DEPUTY CLERK'S INITIALS

U.S. v. James Warren Hoffman, et al.

COUNT 1

(18 U.S.C. § 371: Conspiracy to Commit Mortgage Fraud Through Interstate Wire)

4. Beginning in approximately August 2001 (in the case of J. Hoffman) and beginning in approximately August 2006 (in the case of T. Hoffman) and continuing through approximately 2009, in the State and District of Minnesota, the defendants,

**JAMES WARREN HOFFMAN, and
TERESA GAY HOFFMAN,**

did unlawfully and knowingly conspire, combine, confederate and agree with persons known and unknown to the grand jury, and from and after August 2006, with each other, to commit an offense against the United States, that is, to devise a scheme and artifice to defraud mortgage lenders located throughout the United States and to obtain money from those mortgage lenders by means of false and fraudulent pretenses and representations and, for the purpose of executing such scheme, to cause to be transmitted by means of interstate wire certain writings, signs, signals, pictures and sounds, in violation of Title 18, United States Code, Section 1343.

PURPOSE OF THE CONSPIRACY

5. The purpose of the conspiracy was to recruit straw buyers to purchase real estate located in the state of Minnesota and in the state of Wisconsin with the proceeds of fraudulent mortgage loans arranged by and at the behest of J. Hoffman and in some instances by and at the behest of J. Hoffman and T. Hoffman and to

U.S. v. James Warren Hoffman, et al.

steal a portion of the proceeds of those transactions and, with respect to a million dollar home in Hastings, Minnesota (the "Hastings Home"), to utilize the property (without owning it) as their primary residence and, with respect to a home on Green Lake in Spicer, Minnesota (the "Spicer Lake Home"), to utilize the property (without owning it) as a vacation/lake home.

MANNER AND MEANS

It was part of the conspiracy that from in or about August of 2001 through 2009:

THE HASTINGS HOME

6. From in or about August 2001 through in or about 2008, J. Hoffman and T. Hoffman lived in the Hastings Home without ever owning it (except that T. Hoffman owned it for less than a day in August 2006) by arranging fraudulent mortgage loans for a series of three straw purchasers of the Hastings Home, as further described below.

7. On August 29, 2001, J. Hoffman caused straw purchaser PLH to purchase the Hastings Home entirely with the proceeds of two loans which were fraudulently induced in, among others, the following respects:

- PLH's loan application falsely stated that PLH was going to occupy the Hastings Home as PLH's primary residence when, in fact, J. Hoffman and T. Hoffman intended to and did occupy it as their primary residence;

U.S. v. James Warren Hoffman, et al.

- PLH's loan application falsely stated that PLH was leasing his actual residence when, in fact, PLH never leased his actual residence;
- PLH's loan application falsely stated that PLH earned a salary of \$177,600 per year, when, in fact, PLH earned substantially less than that;
- PLH's loan application was accompanied by a fraudulent verification of employment in which J. Hoffman falsely affirmed that he was PLH's employer; and
- PLH's HUD-1 settlement statement falsely stated that PLH brought \$180,849.92 of PLH's own funds to close the transaction when, in fact, J. Hoffman arranged for PLH to borrow the downpayment from another financial institution.

8. On February 13, 2003, J. Hoffman caused straw purchaser JJ to purchase the Hastings Home from PLH entirely with the proceeds of one loan which was fraudulently induced in, among others, the following respects:

- JJ's loan application falsely stated that JJ was going to occupy the Hastings Home as JJ's primary residence when, in fact, J. Hoffman and T. Hoffman intended to and did continue to occupy it as their primary residence;
- JJ's loan application falsely stated that JJ worked for J. Hoffman's associate and falsely represented that J. Hoffman's associate paid JJ a monthly salary of \$23,000;
- JJ's loan application falsely stated that JJ owned substantial assets that he did not, in fact, own, including stock, bank deposits and a 2002 GMC Denali which was actually owned by DCL Leasing, an entity controlled by J. Hoffman;
- JJ's HUD-1 settlement statement represented that JJ brought \$123,297.76 of JJ's own funds to close the transaction when, in fact, J. Hoffman arranged for those funds to be paid out of funds generated by other

U.S. v. James Warren Hoffman, et al.

fraudulent real estate transactions that closed the same day; and

- JJ's HUD-1 settlement statement fraudulently reflected in line 816 a "FEES" payoff in the amount of \$38,830.89 and in line 1107 an "Attorney's Fees" payoff in the amount of \$7,300 to "James Hoffman/Home Funding Corporation," all of which was converted to the use of J. Hoffman and T. Hoffman, even though neither J. Hoffman nor T. Hoffman nor Home Funding were parties to the transaction and even though J. Hoffman has never been an attorney.

9. On August 28, 2006, J. Hoffman and T. Hoffman caused straw purchaser KC to purchase the Hastings Home from T. Hoffman (who received title to the Hastings Home from JJ for less than one day to facilitate KC's purchase of the property) for \$1.2 million entirely with the proceeds of two loans which were fraudulently induced in, among others, the following respects:

- KC's loan application falsely stated that KC was going to occupy the Hastings Home as KC's primary residence when, in fact, J. Hoffman and T. Hoffman intended to and did continue to occupy it as their primary residence;
- KC's loan application falsely stated that KC had \$20,010 on deposit at Western Bank when, in fact, T. Hoffman wrote a check in the amount of \$20,000 to KC to deposit into her Western Bank to create the false appearance that KC owned those funds; and
- KC's lender file from American Broker's Conduit contains a verification of deposit from Wells Fargo Bank reflecting substantial bank balances which the result of the deposit of two checks into KC's account written by J. Hoffman and T. Hoffman in the aggregate amount of \$41,000 on which they stopped payment but which were in KC's account long enough to create the false appearance that KC had substantial liquid funds;
- KC's HUD-1 settlement statement concealed from the lender that J. Hoffman and T. Hoffman had agreed to and in fact

U.S. v. James Warren Hoffman, et al.

did pay \$85,200 in the form of three checks signed by T. Hoffman to KC to induce KC to purchase the Hastings Home.

10. On or about November 20, 2008, KC's loan went into default, causing substantial losses to KC's lenders.

THE SPICER LAKE HOME

11. From June 2001 through at least 2008, J. Hoffman and T. Hoffman used the Spicer Lake Home as their vacation home without ever owning it by arranging fraudulent mortgage loans for a series of straw purchasers in the same manner as with the Hastings Home described above.

THE CONDOMINIUMS

12. Beginning in or about June 2006, J. Hoffman and T. Hoffman and other indicted and unindicted co-conspirators utilized AFS, Encore and Bessford (collectively, the "Nominees") to purchase apartment buildings located in Rochester (the "Rochester Buildings"), Sauk Rapids (the "Sauk Rapids Buildings") and Spicer, Minnesota (the "Spicer Buildings"); to immediately convert them into condominiums; and then to sell them to straw purchasers, who paid for them with the proceeds of fraudulent mortgage loans arranged by J. Hoffman, T. Hoffman, and Minnesota One, generating proceeds pocketed by J. Hoffman and T. Hoffman in an amount exceeding \$2 million.

13. J. Hoffman's role in the condominium mortgage fraud was to locate the apartment buildings to purchase; to recruit the straw

U.S. v. James Warren Hoffman, et al.

buyers to purchase the units in the buildings; and to find a mortgage broker willing to deceive mortgage lenders into believing that the straw purchasers were qualified to purchase the condominiums.

14. T. Hoffman's role in the condominium mortgage fraud was to own and serve as an officer of the Nominees; to own GRD, which collected rents generated by the condominiums; and to control the flow of money both to the straw buyers in the form of fraudulent down payment assistance and to and among the Nominees, J. Hoffman and T. Hoffman in the form of the scheme's profits.

15. J. Hoffman recruited 10 straw buyers to purchase 50 condominium units at inflated prices with the proceeds of mortgage loans fraudulently brokered in that:

- In every case, the straw purchaser's loan applications and HUD-1 settlement statements represented that the straw purchaser was going to make a substantial down payment from the straw purchaser's own funds, even though J. Hoffman and T. Hoffman promised to and did provide the down payment for the straw buyers and concealed that fact from the lenders;
- In every case, the coconspirators concealed from the lenders that J. Hoffman promised the straw buyers that they would receive cash at or after closing in varying but significant amounts as high as \$5,000 and that they then would receive \$50 per month thereafter for their participation in the scheme;
- In most cases, J. Hoffman recruited straw buyers to purchase several condominiums, but the loan application for any one purchase concealed the indebtedness that had been or would be incurred by the straw buyer for the other purchases;

U.S. v. James Warren Hoffman, et al.

- In some cases, the straw purchasers' loan applications listed substantial but fictitious bank account balances at Bremer Bank, where the conspirators caused bank accounts to be opened in the names of most of the straw purchasers; and
- In some cases, to facilitate the movement of money in and out of the straw purchasers' accounts at Bremer Bank, T. Hoffman and a co-conspirator opened a joint Bremer Bank account to which T. Hoffman transferred funds under her control at MidCountry Bank and from which a co-conspirator transferred money as needed to the investors' Bremer Bank accounts to show purported bank balances or to fund the purchase of cashier's checks (listing the involved buyer as "remitter") for the straw buyers to bring to closing and pass off as their own money.

16. J. Hoffman told the straw purchasers that GRD would collect rents generated by the condominiums and pay the proceeds to the straw buyers in amounts sufficient to cover the monthly mortgage payments.

The Rochester Buildings

17. In June 2006, T. Hoffman signed a purchase agreement obligating AFS to purchase the Rochester Buildings for \$750,000 (an amount subsequently lowered to \$625,000).

18. From January 5, 2007 through March 7, 2007, J. Hoffman and T. Hoffman caused straw buyers PJ, KC and HT to purchase 11 condominium units in the Rochester Buildings with funds borrowed fraudulently in that in each case the straw purchasers' loan applications contained material false information and omissions and

U.S. v. James Warren Hoffman, et al.

in that J. Hoffman and T. Hoffman provided the funds which the straw buyers passed off as their own at closing.

The Sauk Rapids Buildings

19. In September 2006, T. Hoffman signed a purchase agreement obligating AFS to purchase the Sauk Rapids Buildings for \$1,225,000.

20. From March 14, 2007 through July 31, 2007, J. Hoffman and T. Hoffman caused straw buyers HT, JL, KC, PJ and RP to purchase 22 condominium units in the Sauk Rapids Buildings with funds borrowed fraudulently in that in each case the straw purchasers' loan applications contained material false information and omissions and in that J. Hoffman and T. Hoffman provided the funds which the straw buyers passed off as their own at closing.

The Spicer Buildings

21. On March 14, 2007, T. Hoffman signed a purchase agreement obligating Encore to purchase the Spicer Buildings for \$760,000.

22. From July 24, 2007 through November 19, 2007, J. Hoffman and T. Hoffman caused straw purchasers ACL, ZS, SM, AL and AD to purchase 16 condominium units in the Spicer Buildings with funds borrowed fraudulently in that in each case the straw purchasers' loan applications contained material false information and

U.S. v. James Warren Hoffman, et al.

omissions and in that J. Hoffman and T. Hoffman provided the funds which the straw buyers passed off as their own at closing.

THE SINGLE FAMILY HOME IN WILLMAR

23. On December 20, 2006, T. Hoffman signed a purchase agreement obligating Encore to purchase a single family home located in Willmar for \$90,000 out of a foreclosure sale.

24. On March 7, 2007, T. Hoffman caused Encore to close on the Willmar property and then immediately to flip the property to straw buyer HT for \$125,000, who purchased the property with the proceeds of a mortgage loan which was fraudulently induced in that HT's loan application greatly exaggerated HT's income and bank account balances and in that a conspirator provided HT with a cashier's check listing HT as remitter which HT then passed off as HT's own funds at closing.

THE LOSSES

25. Every mortgage loan J. Hoffman and T. Hoffman caused their straw buyers to incur (as described in paragraphs 6 - 24 above) has gone into default, causing losses to mortgage lenders located throughout the United States of approximately \$5,000,000.

U.S. v. James Warren Hoffman, et al.

OVERT ACTS

In furtherance of the conspiracy and to achieve its purpose, J. Hoffman and T. Hoffman committed, directly and through accomplices, among other acts, the following overt acts:

THE HASTINGS HOME

26. On or about February 14, 2003, J. Hoffman caused Anchor Bank to cut a check in the amount of \$123,297.76 listing straw purchaser JJ as the purported remitter, which JJ then passed off as JJ's own funds in purchasing the Hastings Home.

27. On or about March 5, 2003, J. Hoffman and T. Hoffman caused a fictitious contract for deed relating to the Hastings Home to be recorded in the Washington County Recorder's Office which bore a forged signature of JJ as contract-for-deed vendor running in favor of Homeland Funding Corporation, a company owned and controlled by J. Hoffman, as contract-for-deed vendee, on whose behalf T. Hoffman executed the document.

28. On or about August 28, 2006, at which time the Hastings Home was in foreclosure, J. Hoffman and T. Hoffman caused JJ to transfer title to the Hastings Home to T. Hoffman for no consideration so that T. Hoffman could then immediately flip the Hastings Home to KC.

29. On or about August 22, 2006, T. Hoffman wrote a check to KC in the amount of \$20,000 from an account she controlled at

U.S. v. James Warren Hoffman, et al.

MidCountry Bank to make it appear to KC's lender that KC had substantial bank deposits and was qualified to purchase the Hastings Home. T. Hoffman thereafter put a stop payment on the check before it cleared.

30. On or about August 29, 2006, T. Hoffman deposited a check in the amount of \$219,429.71, representing the proceeds of the sale of the Hastings Home to KC, and then caused the funds to be redistributed to various accounts at MidCountry Bank in the names of, among others, her children.

31. In or about 2009, J. Hoffman contacted LC in an unsuccessful attempt to persuade LC to act as a straw purchaser of the Hastings Home.

THE ROCHESTER BUILDINGS

32. On or about February 2, 2007, T. Hoffman wrote a check to HT in the amount of \$34,500 to cover HT's downpayment for unit 4A in one of the Rochester Buildings.

THE SAUK RAPIDS BUILDINGS

33. On or about July 31, 2007, T. Hoffman handed a check in the amount of \$39,000 to RP in the lobby of Columbia Title to reimburse RP for the down payment RP had just made to purchase Unit 301 in one of the Sauk Rapids Buildings.

U.S. v. James Warren Hoffman, et al.

SPICER BUILDINGS

34. On or about August 1, 2007, T. Hoffman wrote a check in the amount of \$413,707.08 on her MidCountry Bank account to ACL to fund ACL's down payments on the purchase of 6 units in the Spicer Buildings.

All in violation of Title 18, United States Code, Section 371.

COUNTS 2-9

(18 U.S.C. § 1343: Mortgage Fraud Through Interstate Wire)

35. The grand jury realleges the allegations set forth in paragraphs 1 - 34 above, and incorporates them as though fully set out herein for the purpose of alleging the substantive wire fraud counts listed below.

36. On or about the dates listed below in the table, within the State and District of Minnesota and elsewhere, the defendants,

**JAMES WARREN HOFFMAN, AND
TERESA GAY HOFFMAN,**

each aiding and abetting and being aided and abetted by the other, for the purpose of executing the aforementioned scheme to defraud mortgage lenders, did knowingly transmit and cause to be transmitted in interstate commerce, by means of wire communications, certain signals and sounds, as further described below:

U.S. v. James Warren Hoffman, et al.

COUNT	ON OR ABOUT DATE	DESCRIPTION OF WIRE TRANSFER	TRANSACTION INVOLVED
2	August 28, 2006	Interstate Wire Transfer of \$971,213.83 from Lender to Title Company	KC's Purchase of Hastings Home (1st Mortgage Proceeds)
3	August 28, 2006	Interstate Wire Transfer of \$239,239.33 from Lender to Title Company	KC's Purchase of Hastings Home (2nd Mortgage Proceeds)
4	January 10, 2007	Interstate Wire Transfer of \$99,663.99 from Lender to Title Company	PJ's Purchase of Condominium Unit in Rochester Buildings
5	February 9, 2007	Interstate Wire Transfer of \$97,980.13 from Lender to Title Company	HT's Purchase of Condominium Unit in Rochester Buildings
6	March 7, 2007	Interstate Wire Transfer of \$112,500 from Lender to Title Company	HT's Purchase of Single Family Home in Willmar

U.S. v. James Warren Hoffman, et al.

7	April 12, 2007	Interstate Wire Transfer of \$104,338 from Lender to Title Company	KC's Purchase of Condominium Unit in Sauk Rapids Buildings
8	July 31, 2007	Interstate Wire Transfer of \$96,699.31 from Lender to Title Company	RP's Purchase of Condominium Unit in Sauk Rapids Buildings
9	September 20, 2007	Interstate Wire Transfer of \$172,023.38 from Lender to Title Company	ZS's Purchase of Condominium Unit in Spicer Buildings

All in violation of Title 18, United States Code, Sections 1343 and 2.

Forfeiture Allegations

Counts 1 through 9 of this Indictment are hereby realleged and incorporated as if fully set forth herein by reference, for the purpose of alleging forfeitures pursuant to Title 18, United States Code, Section 981(a)(1)(C), and Title 28, United States Code, Section 2461(c).

As the result of the offenses alleged in Counts 1 through 9 of this Indictment, the defendant shall forfeit to the United States pursuant to Title 18, United States Code, Section

U.S. v. James Warren Hoffman, et al.

981(a)(1)(C), and Title 28, United States Code, Section 2461(c), any property, real or personal, which constitutes or is derived from proceeds traceable to the violations of Title 18, United States Code, Section 371 and 1343, including but not limited to all property under the control of the Court-appointed Receiver in *United States v. Hoffman, et. al.*, 08-1316-DSD-SER (D. Minn), including any and all appreciation and/or income derived on all such property.

If any of the above-described forfeitable property is unavailable for forfeiture, the United States intends to seek the forfeiture of substitute property as provided for in Title 21, United States Code, Section 853(p), as incorporated by Title 28, United States Code, Section 2461(c), including but not limited to all property under the control of the Court-appointed Receiver in *United States v. Hoffman, et. al.*, 08-1316-DSD-SER (D. Minn), including any and all appreciation and/or income derived on all such property.

All in violation of Title 18, United States Code, Sections 371, 1343 and 981(a)(1)(C), and Title 28, United States Code, Section 2461(c).

U.S. v. James Warren Hoffman, et al.

A TRUE BILL

UNITED STATES ATTORNEY

FOREPERSON